



State of Idaho

Legislative Services Office

Management Report

A communication to the Joint Finance-Appropriations Committee

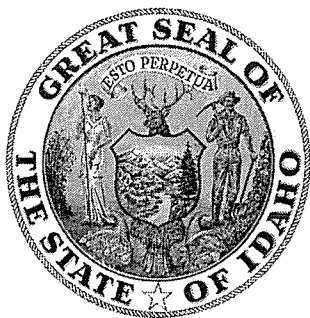
DEPARTMENT OF CORRECTION

FY 2005, 2006, and 2007

Report IC23007

Date Issued: April 6, 2009

Serving Idaho's Citizen Legislature



Don H. Berg, Manager

**Idaho Legislative Services Office
Legislative Audits Division**

DEPARTMENT OF CORRECTION

SUMMARY

PURPOSE OF MANAGEMENT REVIEW

We conducted a management review of the Department of Correction covering the fiscal years ended June 30, 2005, 2006, and 2007. Our review covered general administrative procedures and accounting controls to determine that activities are properly recorded and reported.

The intent of this review was not to express an opinion, but to provide general assurance on internal controls and to raise the awareness of management and others of any conditions and control weaknesses that may exist and offer recommendations for improvement.

FINDINGS AND RECOMMENDATIONS

There is one finding and recommendation in this report.

- 1) Cost of supervision fees are not waived or suspended promptly or at all as allowed by policy.

The complete finding is detailed on pages 1 and 2. A copy of this report is available at <http://www.legislature.idaho.gov/audit/auditsummaries.htm>, or by calling 208-334-4832.

PRIOR FINDINGS AND RECOMMENDATIONS

There were four prior findings and recommendations.

- 1) Parole and probation cost of supervision (COS) receivables are not sufficiently monitored.

We recommended that the Department utilize its offender management system aging reports to identify, collect, and resolve outstanding balances. The reports should also be used to monitor collections by parole and probation officers.

Status: CLOSED; repeated as current finding 1.

- 2) The accounting for inmate special projects was not adequate and was not sufficiently monitored.

We recommended that upon completion of the replacement project accounting system, the Department: (1) require all institutions to utilize the new project accounting system, (2) ensure the new system can generate useful management reports, and (3) establish standard cost rates

for equipment. Documentation should be retained to support the cost rates, and the rates should be periodically reviewed.

Status: CLOSED. As of fiscal year 2007, all facilities were using the Inmate Labor Tracking System except Southern Idaho Correctional Institution (SICI), which is using a newly developed system. The Department hopes to implement the new system at all facilities by the end of calendar year 2008.

The newly developed system at SICI has the ability to generate management reports showing a list of all contracts and projects undertaken, a list of all project billings for a particular year, and a list of open and closed projects. Also, standard cost rates for projects are used, and these cost rates are reviewed regularly.

- 3) The Department's purchasing card (P-Card) processes are inadequate to ensure that all purchases are appropriate.

We recommended that the Department strengthen its controls over P-Card transactions by: (1) enforcing the requirements to verify and approve P-Card transactions in a timely manner, (2) ensuring that only current P-Card users have access to the Department's P-Card system, (3) ensuring that cardholder agreements are on file for all cardholders, and (4) ensuring that P-Card purchases are documented by providing receipts and an explanation of what the goods were used for.

Status: CLOSED. The Department complied with our recommendations to strengthen its P-Card controls by implementing the State Controller's automated system and ensuring verification and approval of P-Card transactions. The Department also ensures that P-Card transactions are supported with receipts, limits the access to the system, and maintains central files for cardholder agreements.

- 4) Accounting for travel is not in compliance with Idaho law.

We recommended that the Department comply with Idaho code and improve accounting by: (1) submitting signed and approved travel vouchers with supporting documentation in a timely manner, (2) recording all travel costs on the travel voucher (including costs and advances paid by P-Cards), and (3) reviewing travel expenditures to ensure they are valid and in accordance with travel regulations.

Status: CLOSED. The Department has complied with our recommendation to bring its travel policies into compliance with Idaho law. In addition, further fiscal staff revisions will enhance the efficiency of processing travel documents in a more timely manner.

AGENCY RESPONSE

The Department has reviewed this report and is in general agreement with its contents.

FINANCIAL INFORMATION

The following financial data is for informational purposes only.

DEPARTMENT OF CORRECTION – FISCAL YEAR 2007

<u>Fund</u>	<u>Fund Name</u>	Beginning Fund Balance/ Appropriation	Plus Receipts and Transfers-In	Less Disbursements and Transfers Out	Ending Cash Balance/ Appropriations
0001	General Fund	\$143,146,577	\$91,493	\$139,384,293	\$3,853,777
0150	Budget Stabilization Fund	0	1,270,600	662,251	608,349
0282	Inmate Labor	2,735,071	6,562,588	6,123,776	3,173,883
0284	Parolee Supervision	1,579,768	4,663,503	3,936,332	2,306,939
0348	Federal Grant Fund	125,493	3,391,064	3,515,748	809
0349	Miscellaneous Revenue	441,906	1,655,144	1,367,248	729,802
0365	Permanent Building Fund	0	136,517	136,517	0
0481	Endowment Earnings Fund	544,678	835,722	1,150,216	230,184
0630	Parole Board Fund	0	405	0	405
	Totals	<u>\$148,573,493</u>	<u>\$18,607,036</u>	<u>\$156,276,381</u>	<u>\$10,904,148</u>

OTHER INFORMATION

We discussed other issues which, if changed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the State of Idaho and the Department of Correction and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the director, Brent Reinke, and his staff.

ASSIGNED STAFF

Chris Farnsworth, CPA, Managing Auditor

Jim Combo, CPA, In Charge Auditor

Brian Butkus, Staff Auditor

Shannon Thomas, Staff Auditor

Sally Fong-Rocha, Staff Auditor

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FINDING AND RECOMMENDATION

FINDING 1

Costs of supervision fees are not waived or suspended promptly or at all as allowed by policy.

Idaho Code requires the Department to collect monthly fees of up to \$50 from probationers and parolees to offset the cost of supervision. The monthly fee may be suspended or waived, or the account written off, if the individual is unable to find employment or otherwise pay the amount assessed.

Total unpaid fees as of February 2008 was \$2 million, but more than \$1.3 million of this is likely uncollectible because the offender is housed in a Department facility with limited ability to pay, or is more than four months past due. The amount that is four months or more past due has nearly doubled since 2004 to \$757,000, and a significant number of these accounts have not had any collection activity for more than 18 months.

Part of the reason for the increase in uncollectible and past due accounts is that fees are not suspended or waived promptly or at all when the probationer or parolee is unable to find employment. In addition, the procedures for writing off uncollectible amounts are not well developed or followed. We did not fully analyze these procedures but identified several instances of old and uncollectible accounts that should be written off.

Overall, the trends indicate the need for additional oversight to ensure that cost of supervision accounts represent valid and collectible amounts, and that balances are written off or fees suspended or waived as appropriate.

RECOMMENDATION 1

We recommend that the Department analyze the process for suspending or waiving cost of supervision fees and identify and write off existing balances that are uncollectible so as to provide a more appropriate accounting for this program.

AGENCY'S RESPONSE

The Department agrees with the audit finding. As mentioned during the audit, we were in the process of analyzing collections and updating the Standard Operating Procedure (SOP), as we recognized the upward trend for fees not waived or suspended.

- A. Community Corrections is tasked with suspending or waiving cost of supervision monthly fees, authorizing account balance write-off, and notification to Central Office COS. The Cost of Supervision Account Management SOP 707.04.01.001 has been updated to include additional processes for exempting costs.

Training has been conducted at each of the seven district offices since the SOP was revised. The new procedure includes processes for improving the following:

1. each new case is automatically activated at \$50 and requires an additional step for an exemption
2. clear guidance to field staff for granting exemptions and requirements for a higher level of approval
3. specific instructions on how to correct previous billing errors to reduce uncollectible outstanding balances

B. Community Corrections has implemented a program (CompStats) to track COS statistics with particular emphasis on the following:

1. current collection rate
2. exemptions as a percentage of caseloads
3. amount attributed to accounts with a high balance
4. total district amount that is overdue
5. incorrect addresses
6. review of exemptions, and
7. monthly high balance reports for managers.

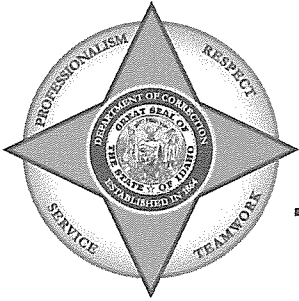
C. The COS supervisor initiated a program in 2008, in an effort to collect COS fees from offenders who have been re-incarcerated. The impact of re-incarceration on COS was recognized some time ago. The pilot for the program resulted in collections of \$10,912. We will continue to develop the processes the remainder of this fiscal year, as we feel this program warrants further development and implementation. We expect to see a downward trend in this area as we refine these procedures, especially for working offenders.

Idaho code provides for an exemption for the following factors:

1. The offender has diligently attempted but been unable to obtain employment.
2. The offender has an employment handicap, as determined by a physical, psychological, or psychiatric examination acceptable to the division of probation and parole.

We are especially concerned with the impact our current economic conditions may have on the employment opportunities for these offenders.

AGENCY RESPONSE



IDAHO DEPARTMENT OF CORRECTION

"Protecting You and Your Community"

C. L. "BUTCH" OTTER
Governor

BRENT D. REINKE
Director

March 26, 2009

Jim Combo
Legislative Services Office

Subject: Audit Report IC23007

We are in receipt of the above report for the internal control review for fiscal years ending 2005, 2006, and 2007, and the financial activities related to the Comprehensive Annual Financial Report, (CAFR) for fiscal year ending 2008.

We agree with the contents of the report and appreciate the work you and your team conducted to accomplish this audit.

Thank you,

Theo M. Lowe
Executive Financial Officer

Cc: Susan Fujinaga, Management Services Deputy Chief
Tony Meatte, Management Services Chief

APPENDIX

HISTORY

The Idaho Territory was organized in 1863. The first jails were established in Nez Perce County and Boise County the following year. In 1866, The Boise county Jail, in Idaho City, was designated the territorial prison, and the sheriff served as warden. In 1867, Congress appropriated \$40,000 to build a larger Idaho territorial prison. The prison was built two miles southeast of Boise and remained the site of the Idaho State Penitentiary until 1973.

The first prisoners were incarcerated at the old site in 1872. A cell house was built in 1889. In 1890, when Idaho was granted statehood, the penitentiary was turned over to the State of Idaho. Near the turn of the century, a number of buildings were constructed, with inmates supplying most of the labor. In 1952, a 320-man cell house and a maximum-security unit were built.

In the early 1960s, the Idaho State Legislature appropriated funds to build a new correctional facility for the State of Idaho. The Idaho State Correctional Institution (ISCI) was constructed over a ten-year period. The institution was completed in 1973 and is located south of Gowen Field, approximately 16 miles from the center of Boise. Relocation from the old Idaho State Penitentiary to the Idaho State Correctional Institution was completed in 1973.

In 1972, the Department of Correction acquired the former Job Corps site located near Cottonwood. The North Idaho Correctional Institution (NICI) was constructed in 1974 to house the retained jurisdiction program. This program allows judges to retain jurisdiction over an inmate while they receive 180 days of programming. If they are successful they can then be placed on probation. NICI is still used to house riders.

THE LAST 25 YEARS

When the territorial prison closed in 1973, 416 inmates moved to the new ISCI. The opening of NICI in 1974 doubled the number of prisons in Idaho to two. In the decades since, that number has increased to eight State prisons, five community work centers, and contract beds. Between 1973 and fiscal year 1980, Idaho's incarcerated population more than doubled from 416 to 915. In the 28 years since, it has grown to 7,338 at the end of fiscal year 2008.

Women prisoners were housed at the territorial prison prior to its closure, then at institutions in other states until 1976 when they were moved to NICI. In the early 80s, the Department received an old mental hospital building in Orofino and converted it into a prison. The Idaho Correctional Institution-Orofino (ICIO) opened to women prisoners and geriatric males in April 1985. This facility has expanded several times since opening and no longer houses females. ICIO now houses males of all custody levels.

In 1984, the U.S. District Court ordered the Department to improve medical, dietary, psychological, and classification programs. The court also ordered the Department to increase staffing at ISCI and reduce inmates. The Department built the minimum-security facility South Idaho Correctional Institution (SICI) in response to a court order. SICI has expanded several times since, including the addition of a release center that houses a therapeutic community.

The Idaho Maximum Security Institution was opened in 1989 and remains Idaho's only institution that houses close custody inmates.

The Department acquired an old hospital building in St. Anthony and converted it into a work camp facility. The St. Anthony Work Camp opened in 1991, and doubled its capacity in 2003.

The Pocatello Women's Correctional Institution opened in April 1994. At that time it housed all female inmates. Since that time, the Department has managed population growth in females by converting a work center south of Boise into a female facility. In 2006, an addition to the work center opened creating a two-building facility south of Boise named the South Boise Women's Correctional Center.

The State's newest facility will soon be its largest. The Idaho Correctional Center opened in July 2000. The initial capacity was 1,250. The publicly owned, privately run prison added 206 beds in 2006 and is currently undergoing two additional expansions.

PURPOSE

The Idaho Department of Correction's mission is to protect Idaho through safety, accountability, partnerships, and opportunities for offender change. The Department provides incarceration facilities for adult felons, pre-sentence reports for the courts, and supervision for probationers and parolees. The Governor-appointed three-member Board of Correction provides oversight and appoints the Director. Brent D. Reinke was appointed director in January 2007.

The Department employs 1,595 dedicated professionals and manages 7,300 incarcerated offenders and more than 13,000 probationers and parolees. Inmates are housed in eight State correctional institutions, five community work centers, and contract beds in-state and out-of-state.

In addition to incarceration services, the Department supervises more than 13,000 probationers and parolees in seven districts statewide, provides education and treatment services to the incarcerated, supervises offender population, and oversees contracts to provide for medical and mental health services.

Department services also encompass support functions including information technology, construction, fiscal, inmate placement, central records, review and analysis, human resource services, public information, policy and the office of professional standards.

The Department provides support services for two separate agencies: the Commission for Pardons and Parole and Serve Idaho (AmeriCorp). Revenue comes from the general fund, cost of supervision fees, work crew revenue, miscellaneous revenue (Inmate Management Fund), penitentiary (endowment) and federal grants.

STATUTORY AUTHORITY

Incarceration Services – Provides for the care and custody of felony inmates committed to the custody of the State Board of Correction. (Title 20, Chapter 1)

Probation and Parole Supervision – Supervises all persons convicted of a felony and placed on probation or released from prison and placed on parole. (Title 20, Chapter 2)

Programs and Education – Provides rehabilitation to reduce offender risk to re-offend. (Title 20, Chapter 1)

Pre-sentence Reports – Investigates offenders' backgrounds and create pre-sentence reports to help the courts with sentencing decisions. (Title 20, Chapter 2)

FUNDING

The Department is funded primarily from the State General Fund. Other funding sources include endowment income received from pooled investments administered by the Investment Board, COS fees, federal funds, and miscellaneous receipts. The following is a brief description of the Department's operating funds.

0001 General Fund – This fund receives a General Fund appropriation consisting of moneys received into the treasury and not specifically appropriated to any other fund and, with the exception of federal grant programs, is used for all programs administered by the Department.

0150 Economic Recovery Reserve – This fund consists of moneys in the fund area from cigarette taxes (deposits made pursuant to Idaho Code, Section 63-2520) and interest earnings from the investment of idle moneys in the fund.

0282-00 Inmate Labor – This fund consists of fees received for inmate work crews under contract to federal, State, and local governmental agencies and nonprofit entities, and 30% of gross wages earned by inmate workers involved in work-release programs.

0284 Parolee Cost of Supervision – This fund receives receipts from individuals on probation or parole in accordance with Idaho Code, Section 20-225. A person under State probation or parole supervision shall be required to contribute not more than \$50 per month as determined by the Board of Correction. Currently the Board has authorized Community Supervision to collect \$50 per month. The fund is used to fund a portion of operations in the Community Corrections Division, as well as accounting functions related to the collection of the contributions.

0340 Liquor Fund – This fund includes a 2% surcharge from the sale of liquor in accordance with Idaho Code, Section 23-217 fees generated through the increased maximum that can be levied on certain fines, per Section 2(2)(b), Chapter 360, Laws of 2005. Appropriated from three liquor and tobacco funds, it is used solely to fund probation and parole officers dedicated to drug and mental health courts.

0348 Federal Grant – This fund receives federal funds for AmeriCorp's functions of Idaho Commission for National and Community Services (housed with the Department of Correction), for volunteer programs and State criminal alien assistance. The fund is used for development and training to expand the Commission's reach into Idaho communities, for tutoring, Habitat for Humanity, and personnel costs. Federal funds are received from various grantors such as the Idaho State Police and the Department of Justice for education.

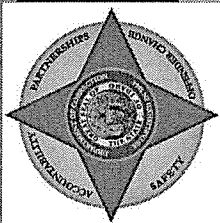
0349-00 Miscellaneous Revenue – This fund receives money from used vehicles and equipment, fees charged for photocopying, and refunds. It also receives funds generated by conducting employee background checks and sewer lagoon maintenance for the privately-owned prison, reimbursement for security provided to Correctional Industries, rental income from State-owned housing in Cottonwood, and receipts from community service projects.

0349-07 Inmate Management – Revenue is generated by the sale of items to offenders from the, prison commissaries, vending machines, recycling, telephone calls, laundry fees, and interest income and is appropriated for personnel costs and operating expenditures for financial staff supporting inmate banking.

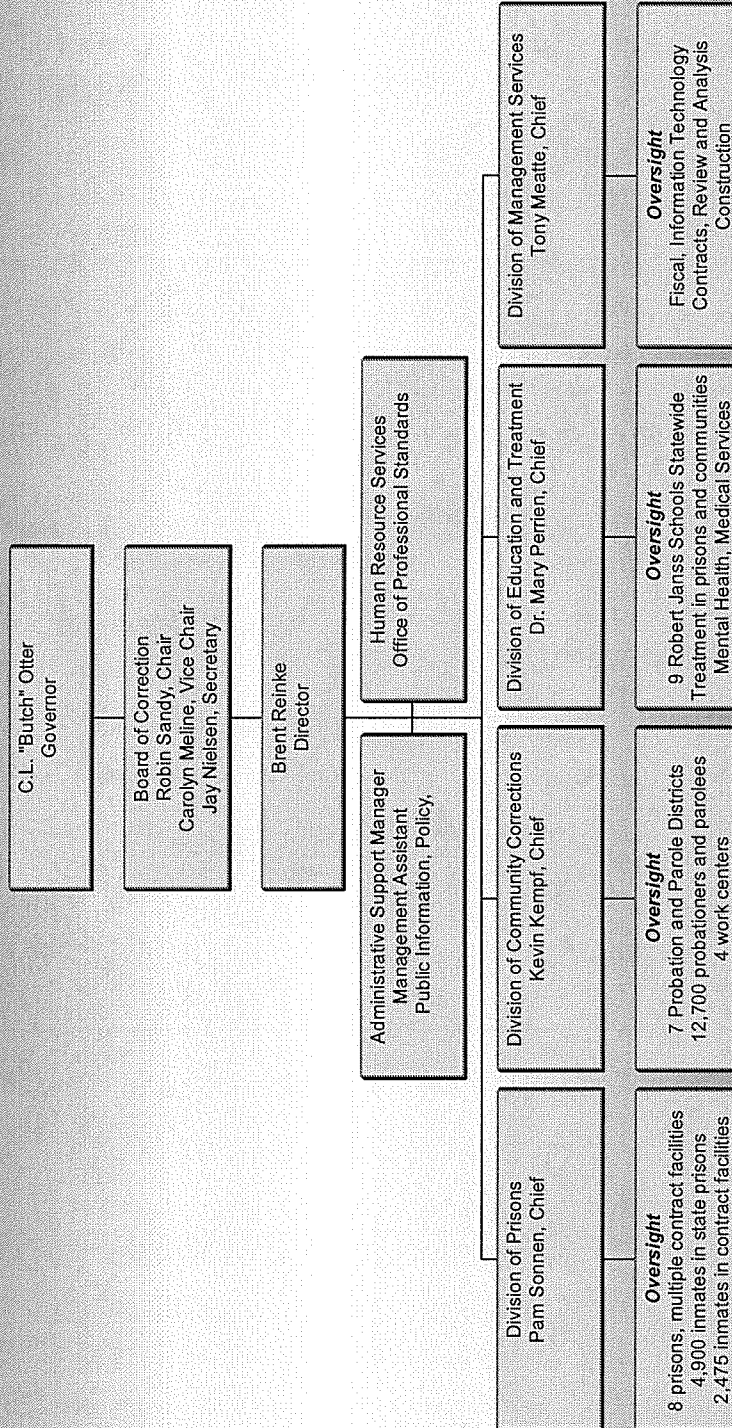
0365 Permanent Building Fund – This fund receives money from legislative appropriations to the Permanent Building Fund. The money is transferred to the Department to be used for specifically approved projects at the institutions.

0481 Endowment Earnings Fund – Endowment income from the Endowment Investment Board and the Idaho Department of Lands is deposited in this fund and used for Department operations.

0630 Parole Bonds Fund – This fund receives bonds collected from parolees approved to move out of State through an interstate compact. The bond is returned to the parolee when the parole period has been completed. The money may also be used to extradite parolees who violate parole.



Idaho Department of Correction



September 2007